Approved For Release 2008/08/21 : CIA-RDP86M00886R002100040005-3

THE TRADE DEFICIT FROM A SECTORAL PERSPECTIVE: THE DEFICIT IN 1984 AND CHANGES SINCE 1981

A GRAPHIC PRESENTATION

1. 5 SEP 1984

Prepared by:
OFFICE OF TRADE AND INVESTMENT ANALYSIS
INTERNATIONAL TRADE ADMINISTRATION
8-17-84

Lishel Olmer

1-309

THE TRADE DEFICIT FROM A SECTORAL PERSPECTIVE

Attached are two graphics. Figure I shows those sectors for which we are currently projecting the largest 1984 U.S. trade balance surpluses and deficits.

Figure II, in contrast, is a rank ordering of the major contributors, by industry sector, to <u>changes</u> in the projected U.S. 1984 trade balance, compared to 1981 performance.

Great care should be taken in drawing conclusions from these data for several reasons, including:

- o There is no standard, accepted way of describing or identifying sectors for these kinds of sectoral comparisons. The official product categories used in U.S. trade classifications are often arbitrary and not always useful or meaningful for this kind of analysis. We have, therefore, attempted to put together meaningful, related product groupings for this presentation. This means, however, that in doing so, the resulting groupings may involve different levels of disaggregation; i.e., some industry groupings correspond with two- or three-digit Schedule A/E classifications, others combine some three-digit classifications. Changing the combinations of items aggregated to form the broad product groupings included in the display would, of course, change the results.
- o It is important to note the difference between figures I and II. Figure I shows 1984 first-half trade balances at annual rates for those sectors showing the largest surpluses and deficits. Figure II shows the changes in performance—both improved and deteriorating—between 1981 and the first-half of 1984 at annual rates.
- o It is particularly important to recognize that neither a large deficit in a particular sector nor an expanding deficit in a particular sector necessarily indicate that sector is the cause of a deteriorating trade balance. Some sectors traditionally incur deficits because no adequate domestic supplies are available (e.g., oil); others incur deficits for comparative advantage reasons; and some sectors have traditionally provided surpluses (e.g., aircraft). Thus, in the context of an expanding U.S. economy, the problem of a deteriorating trade balance may be not so much with an expanding deficit in a particular sector, but perhaps in the weak performance of a sector that has traditionally produced surpluses.

The point is, our historic strengths are evorling!

OTIA/ITAa 8-17-84

Analysis

There are few surprises in Figure I. The single largest positive item is grains. The largest negative item is petroleum and products.

Figure II shows graphically the enormous benefit we have derived from falling oil prices, with a positive shift (a decline in our deficit) of \$20.5 billion between 1981 and 1984. This improvement is now being reversed, however, and oil imports are rising.

Figure II also shows the degree to which a number of our most competitive industries have seen their trade surpluses decline, especially ADP equipment and parts, construction equipment, and aircraft.

The largest deficit increases—not surprisingly—are in wearing apparel and passenger cars. Notably absent from Figure II is iron and steel. The deficit in this product group (in dollar terms) declined strongly from its peak in 1981 and only last year began again to increase. This year, however, the deficit in steel should exceed 1981 levels, though only modestly.

FIGURE I. THE LARGEST POSITIVE AND NEGATIVE COMPONENTS OF THE U.S. TRADE DEFICIT 1984 (First Half In \$Billions at Annual Rates)

<u> </u>	
	Cereal & Grains 15.2
	Oil Seeds 7.4
	Aircraft 7.2
	ADP Eq. & Parts 5.3
	Coal 3.9
	Measuring & Controlling Inst. 3.3
, ,	Cotton 3.0
`\ .	Military Arms 3.0
•	Internal Combust Engines (Turb) 2.9
	Company of the same of the sam
	Syn. Resins: Plastics & Rubber 2.4
	Animal Feed Stuffs 2.4
•	Organic Chemicals 2.0
	Pharmaceutical Prod. 1.8
	Misc. Chemical Products 1.7
	Tobacco 1.5
•	-2.6 Alcoholic Beverages
	-2.9 Paper & Products
· · · · · · · · · · · · · · · · · · ·	-3.2 Fish
	-4.7 Coffee, Tea, & Spices
	-4.8 Gas, Natural & Mfg.
	-5.0 Trucks & Buses
	-5.1 Footwear
•	
	nor-rerzods rietars
	The state of the s
	-9.6 Iron & Steel
	-12.4 Wearing Apparrel
	-27.0 Passenger Cars
_54.3	Petroleum & Products

Source: OTIA/TD/ITA

8/17/84

FIGURE II. LARGEST CHANGES IN PRODUCT TRADE BALANCES BETWEEN 1981 AND

FIRST HALF 1984 (In \$billions, 1984 at Annual Rates) Petroleum & Products Oil Seeds Military Arms 0.9 Ores & Scrap Cotton Hides & Skins Motorcycles Electronic Components -1.7 Paper & Paper Board -1.8Mechanical Handling Eq. -2.0 ADP Equip. and Parts Coal -2.0 Footwear 🚰 Telecommunication Equip. Internal Combustion Eng. (Pist) Non-Ferrous Metals -2.7 Gold -2.8 🤻 Fruits & Vegetables Yarn & Fabrics Consumer Electronics Trucks & Buses Motor Vehicles Parts Cereals, Wheat, Etc. 🦬 Tractor & Constr. Equip. Aircraft & Parts Wearing Apparel Passenger Cars

Source: OTIA/TD/ITA From Census Trade Statistics 8-17-84